



## NC OSC Policy 101.7

### Intragovernmental Transactions and State Grant Transactions Policy

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| Policy Area: <b>Accounting &amp; Financial Reporting</b>  | Effective Date: <b>07/01/1995</b>                  |
| Policy Sub Area: <b>Account Classification</b>  | Last Revision Date: <b>NA</b>                      |
| Authority: <b>GASB Codification Section 1800; G.S. 143B-426.39</b>  | Policy Owner/Division: <b>Statewide Accounting</b> |
| <b><u>Policy</u></b><br><br>Agencies and institutions must classify intragovernmental transactions in accordance with GAAP and OSC requirements to ensure proper budgeting, accounting and reporting.   |  |
| <b><u>Procedures</u></b><br>NA  |  |
| <b><u>Accounting Guidance</u></b><br><br>Intragovernmental transactions are transactions between funds of the same reporting entity. State grant transactions involve the transfer of grant funds from one state agency to another. This section sets forth additional guidance and provides examples for intragovernmental transactions and state grants.<br><br><b><u>Reimbursements</u></b><br>Reimbursements arise when the funds responsible for particular expenditures or expenses (reimbursing fund) repay the funds that initially paid for them (reimbursed fund) and the service being provided or used is not routinely provided to external organizations nor are the charges at established standard rates. The initial expenditure or expense is recorded in the reimbursed fund. When the reimbursing fund pays back the reimbursed fund, the receipt of funds is recorded as a contra-expenditure account (5383aa) in the reimbursed fund. In the reimbursing fund, the payment to the reimbursed fund is recorded as an expenditure. The receipt and expenditure in the reimbursed fund offset each other while the expenditure is properly recorded in the reimbursing fund. Reimbursements are applicable only for governmental funds and do not apply to proprietary fund types.<br><br>The following transactions are examples of reimbursements when the reimbursed fund only provides |  |

service within state government:

- Charges for supplies, postage, data processing and other expenditures that are allocated among funds within an entity. For reimbursements between two funds within the same agency, it is permissible for the reimbursed fund to deposit the receipt as a credit back against the original expenditure account when the expenditure account is known and the reimbursement occurs within the same fiscal year. It is also acceptable to use the 5383aa reimbursement account for the receipt.
- Personnel costs budgeted by one agency and later charged by contract or billing to another agency (for example, costs associated with legal services performed by the N.C. Department of Justice.)
- Costs for compliance (federal funds) audit work performed by the Office of the State Auditor.
- Rental charges among agencies for occupancy in buildings.
- Medicaid disbursements to other state agencies.
- Administrative fees charged to the pension funds.

The reimbursement accounts will be budgeted as revenues. Reimbursements appear in the monthly budget report in a section below the revenue accounts. This grouping allows all credit balance accounts to appear together on the budget report enabling agency management to view resources in total.

#### Interfund Transfers

Interfund transfers are flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. There are two types of interfund transfers. A routine interfund transfer normally reflects transfers mandated by the General Assembly such as transfers from the General Fund to a capital projects fund. A routine transfer is to be recorded by the receiving agency to account 4381aa and by the disbursing agency to 5381aa. Non-routine transfers are typically nonrecurring, and are generally associated with the transferring of a program or capital projects reversions to the General Fund. A non-routine transfer is to be recorded by the receiving agency to account 4384aa and by the disbursing agency to 5384aa. Interfund transfers are neither revenue nor expenditure/expense, and therefore are classified as other financing sources/uses in the operating statement in the governmental fund types, and in a separate subsection before net income in the proprietary fund types. Resource flows (except those that affect the balance sheet only, such as loans and repayments) between the primary government and its discretely presented component units should be reported as if they were external transactions – that is, as revenues and expenses, not transfers.

#### Interfund Services provided and used

Interfund services provided and used are sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used should be reported as revenues in seller funds and expenditures or expenses in purchaser funds. Interfund services provided and used are the only interfund transactions for which it is proper to recognize revenues and expenditures or expenses in the funds when the transactions are not external to the primary government and its blended component units. These transactions result in revenues reported in the fund providing the service and expenditures/expenses reported in the fund receiving the goods or services. The accounting records should only reflect an interfund service when it is a type of service that would be routinely provided to external organizations and the rate charged approximates the rate charged by external organizations. Transactions with the State's internal service funds are classified as interfund services. For example, a payment by the General Fund to an internal service fund for goods or services provided represents an interfund services provided and used transaction.

Examples of interfund services provided and used include:

- Billed services from the State's internal service funds, that is all GASB 27XX funds including Motor Fleet; Computing Services, State Telecommunication Services, etc.
- Routine employer pension contributions to the pension trust funds.
- Billed Services from Prison Enterprises (a special revenue fund).

#### State Grants

Another type of interfund services provided and used is state grant transactions. In state grant transactions, a state agency awards grant funds to another state agency. An agency that receives grant funds from another agency will record the transaction as state grant revenue rather than as a transfer. The account title for the revenue will state the grant title. The awarding agency will record the disbursement as a grant expenditure or expense rather than a transfer and the account title will also have the grant title.

#### University or Community College Transfers

University or community college transfers include transfers of funds from one fund to another fund within the same institution (intra-institutional), and transfers of funds from one institution to another institution (inter-institutional).

Intra-institutional transfers include mandatory and non-mandatory transfers. Mandatory transfers should be recorded in account 4385XX by the receiving institution and in account 5385XX by the transferring institution. Non-mandatory transfers should be recorded in account 4386XX by the receiving institution and in account 5386XX by the transferring institution.

Inter-institutional transfers are recorded in account 438700 by the receiving institution and in account 538700 by the transferring institution.

#### Related Documents (Memos/Forms)

[http://www.osc.nc.gov/sigdocs/sig\\_docs/data\\_elements/account/sigExpenditure\\_Accounts\\_Intragovernmental.html](http://www.osc.nc.gov/sigdocs/sig_docs/data_elements/account/sigExpenditure_Accounts_Intragovernmental.html)

#### **Revision History**

| Date | Description |
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